

PUBLIC DISCLOSURE

August 30, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Israel Discount Bank of New York
19977**

**511 Fifth Avenue
New York, New York 10017**

**Federal Deposit Insurance Corporation
20 Exchange Place
New York, New York 10005**

NOTE: **This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Israel Discount Bank of New York** prepared by **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **August 30, 2004**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

Israel Discount Bank of New York ("IDBNY") has demonstrated an overall excellent responsiveness to its communities' credit and economic development needs. IDBNY has engaged in all three areas of community development, i.e., lending, investments, and services. IDBNY has provided numerous community development loans to support local economic development, social service, and affordable housing projects. Additionally, IDBNY has made investments in and bestowed grants to local organizations that have community development as their primary purpose. Total community development loans and qualified investments made, and grants given of \$119.8 million represent 1.4% of total assets (\$8.5 billion) as of June 30, 2004. IDBNY has also provided a minimal level of community development services. Although IDBNY has offices in three states, the largest concentration of its total loans and deposits were in New York. Consequently, the bank's performance in New York carried the most weight in assigning the overall rating.

IDBNY's performance was evaluated using the Community Development Test. The Community Development Test considers community development loans, qualified investments, and community development services. The bank's overall performance in each of these three areas is summarized below while its performance in each state is discussed throughout this evaluation.

Community Development Lending

IDBNY has a high level of community development loans which meet the varied needs of its assessment areas. New community development loans and commitments totaled \$92.1 million or 1.1% of total assets (\$8.5 billion) and 4.0% of total loans (\$2.3 billion) as of June 30, 2004. This level represents an excellent responsiveness to the credit and economic development needs of its assessment areas.

Community Development Investments

IDBNY has exhibited an adequate responsiveness to the community development needs of its assessment areas and occasionally uses innovative or complex qualified investments. IDBNY invested in or made approximately \$27.7 million of qualified investments and grants within the assessment areas since the previous FDIC evaluation. Total community development investments and grants of represented 0.3% of total assets (\$8.5 billion) and 0.6% of total securities (\$5.0 billion) as of June 30, 2004.

Community Development Services

IDBNY has a limited level of participation in community development services. The bank lends its expertise to promote financial literacy education, to provide career development skills, and to support local organizations with their affordable housing and social service initiatives.

Compliance with Antidiscrimination Laws

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. The institution's board approved lending policies include fair lending policies and procedures.

DESCRIPTION OF INSTITUTION:

IDBNY is a full service wholesale oriented bank chartered by the State of New York in 1962. IDBNY is an indirect subsidiary of Israel Discount Bank Limited (“IDB”), which is headquartered in Israel. IDBNY provides domestic and international banking services. These services are provided to clientele in the metropolitan New York area and abroad. IDBNY provides services through its main office at 511 Fifth Avenue and branch office at 1350 Broadway in New York City, its branch office in Beverly Hills, California, its three branch offices in Florida, its offshore Cayman Island branch, its wholly-owned subsidiary bank, Discount Bank (Latin America) headquartered in Montevideo, Uruguay, its offices in London, Paris, Montevideo and Santiago, its equipment leasing company, IDBNY Leasing, Inc., IDBNY Realty Inc., its Real Estate Investment Trust (“REIT”), which is incorporated in New York State, and IDBNY Realty (Deleware), Inc., its REIT holding company. The bank also operates an International Banking Facility (“IBF”) at its main office in New York.

The bank’s deposit products include personal and commercial checking accounts, Basic Banking accounts, money market savings and checking accounts, and U.S. dollar and foreign currency time deposits. Banking services include Visa credit cards, safety deposit box rentals, the sale of travelers checks and money orders, direct deposits of Social Security and other recurring payments, the processing of documentary credits and collections, lock box facilities, cash management, safekeeping and custody of securities, and international private banking services. The types of financing available include middle market lending, asset based lending, commercial real estate lending, factoring, equipment leasing, letters of credit, and import-export financing. IDBNY, through its affiliates, also offers an array of non-deposit investment products that are not FDIC insured. The bank does not typically offer or extend retail credit products such as residential mortgages and personal loans except on an accommodation basis to its private banking customers and bank employees. Consequently, on December 9, 1996, the FDIC granted the bank a “Wholesale Institution” designation under the Community Reinvestment Act.

As of June 30, 2004, the bank reported total assets of approximately \$8.5 billion, which included \$5.0 billion or 58.8% in securities, and \$2.3 billion or 27.0% in loans. The bank’s capacity to lend is not hampered by operating losses, regulatory actions, or significant liquidity constraints. The following table illustrates the composition of the bank’s loan portfolio as of the June 30, 2004 Report of Condition.

Wholesale and Limited Purpose Performance Evaluation

Table 1 - Loan Distribution as of 6/30/04		
<i>Loan Type</i>	<i>Dollar Amount (000s)</i>	<i>Percent of Total Loans (%)</i>
<i>Construction and Land Development</i>	37,396	1.6
<i>Secured by Farmland</i>	0	0.0
<i>1-4 Family Residential</i>	30,541	1.3
<i>Multi-Family (5 or more) Residential</i>	46,919	2.0
<i>Commercial</i>	371,144	15.9
<i>Real Estate loans in foreign offices</i>	38	0.0
<i>Total Real Estate Loans</i>	<i>486,038</i>	<i>20.8</i>
<i>Commercial and Industrial</i>	1,308,856	56.1
<i>Agricultural</i>	0	0.0
<i>Consumer</i>	116,107	5.0
<i>Other*</i>	425,946	18.3
<i>Less: Unearned Income</i>	5,026	0.2
<i>Total Loans</i>	<i>2,331,921</i>	<i>100.0</i>

Source: Report of Condition

* includes \$75,287 in lease financing receivables & \$563 loans to foreign governments

The bank received a CRA rating of “Outstanding” at the prior FDIC evaluation dated December 3, 2001.

CONCLUSIONS WITH RESPECT TO PERFORMANCE:

STATE OF NEW YORK

CRA RATING FOR New York: Outstanding.

IDBNY has an excellent record of supporting community development activities in its assessment area. IDBNY is active in all three areas of community development. Outstanding community development loans and investments totaled approximately \$94.7 million, which represented the vast majority (79%) of the bank's overall community development lending and qualified investments. Moreover, officers of the bank have also lent an adequate level of their expertise to various community development organizations and programs in the form of community development services.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN *New York*:

IDBNY operates its main office, its International Banking Facility, and one other full service branch in New York. All three offices are located in midtown Manhattan, i.e., New York County. The main office and International Banking Facility are located at 511 Fifth Avenue. The branch is located at 1350 Broadway. IDBNY reported total deposits of approximately \$3.2 billion and total loans of approximately \$1.9 billion as of June 30, 2004. IDBNY focuses on commercial and industrial lending with an emphasis in the wholesale and international markets.

DESCRIPTION OF NEW YORK ASSESSMENT AREA:

IDBNY's New York assessment area consists of the five boroughs of New York City, i.e., Bronx, Kings, New York, Queens, and Richmond Counties. These counties are located in Metropolitan Division ("MD") 35644. The assessment area includes 2,217 census tracts. Of these, 14.7% were categorized as low-income, 27.6% as moderate-income, 29.9% as middle-income, 25.2% as upper-income, and 2.6% for which income information was unavailable.

Census tracts are defined by income characteristics as follows: a low-income tract is one in which the median family income is less than 50 percent of the median family income of the Metropolitan Division ("MD") in which it is located; a moderate-income tract is one in which the median family income is more than 50 percent, but less than 80 percent of the median family income of the MD; a middle-income tract is one in which the median family income is more than 80 percent, but less than 120 percent of the median family income of the MD; and an upper-income tract is one in which the median family income exceeds 120 percent of the median family income of the MD. The United States Department of Housing and Urban Development ("HUD") annually adjusts the median family income figures. The HUD adjusted median family income for 2004 for MD 35644 was \$57,000.

The New York City economy was seriously affected by the terrorist attacks in September 2001. The job losses that occurred in the wake of the attacks increased an already rising unemployment

rate. Nevertheless, growth has been noted with the professional services and information industries creating the most jobs. The unemployment rate dropped considerably over the past year and continued decreases are expected. Tourism has increased which has supported growth in the leisure and hospitality industries. Major employment sectors include health care, transportation, public utilities, and government. The business and housing costs in these areas are among the highest in the nation and this area continues to boast per capita incomes that exceed those of New York State and the nation.

New York County is home to a diversified mix of industries. Many national and international corporations are headquartered in New York County. The downtown area is dominated by the financial industry and is home to the New York Stock Exchange. Industries operating in the midtown area include advertising, fashion design, and publishing. Aside from the services industry, retail is a major employer due to several large department stores and numerous small businesses. Bronx, Kings, Queens, and Richmond Counties are predominantly residential in nature with no single company or industry dominating their economies.

Recently conducted community contacts with organizations serving the bank's assessment area expressed the need for increased lending to support small businesses and affordable housing development. One contact stated that, while the creation of new affordable housing units remains a priority, more funding is also needed to support building improvements on already existing properties to maintain acceptable living conditions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *New York*:

COMMUNITY DEVELOPMENT LENDING

A community development loan is a loan that has community development as its primary purpose and that has not been reported or collected by the bank as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family dwelling. Community development is defined in Part 345.12 (h) of the FDIC Rules and Regulations as affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company ("SBIC") programs or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

The bank's community development lending activities were evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available by the bank; (2) the responsiveness of the bank's community development lending; and (3) the extent of leadership the bank has demonstrated in community development lending.

IDBNY has a high level of community development loans and an excellent responsiveness in providing community development loans within its assessment area. Community development loans, community development lines, and commitments extended or renewed during the evaluation period totaled approximately \$74.3 million. The following are some examples of IDBNY's community development lending commitments and originations during the evaluation period.

Economic Development:

- In January 2003, IDBNY renewed a loan that was originally made in June 2000. The initial purpose of the loan was to purchase a 68,000 square foot 2-story retail property located in the Washington Heights section of Manhattan. The property, which is located in a moderate-income census tract, houses seven retail establishments. These establishments service the immediate neighborhood and provide jobs for a number of residents in the community. The property serves to promote economic development in the moderate-income area in which it is located. The total amount of the renewal was \$8.8 million.
- In June 2003, the bank renewed a loan originally made in December 2000, the purpose of which was to fund the purchase of a 300,000 square foot, light industrial/commercial building. The building provides commercial space to small businesses at affordable rates. The loan amount renewed was \$5.75 million.
- In January 2004, IDBNY renewed a \$500,000 line of credit to a development corporation created by a special act of the New York State Legislature. The Corporation acts as a complement to banks in providing long-term working capital, equipment, and real estate loans to a variety of small businesses located in New York State, either in participation with or in conjunction to, the banking industry and the Small Business Administration. These funds continue to serve the needs of small businesses throughout the state.
- In March 2004, the bank approved a new \$10 million line of credit to an organization that provides funds for Small Business Administration loans under the SBA 7(a) Guaranteed Loan Program and the USDA Business Industry Guaranty Loan Program. The proceeds of the loan were for working capital for portfolio growth and general operating purposes. The outstanding balance at the time of the evaluation was \$6.5 million.
- In October 2002, the bank approved and granted a second mortgage in the amount of \$7.5 million for renovations to an enclosed two story retail shopping mall and adjacent 454 space parking garage located at One De Kalb Avenue in Brooklyn, which is a low-income census tract. The project was originally constructed in 1979 as part of a plan to revitalize the downtown Fulton Street District of Brooklyn. The bank previously (November 2001) approved a \$17 million loan to these same borrowers to purchase the property. The mall continues to be located within the Special Fulton Mall District, which was established by New York City to create an attractive shopping environment in downtown Brooklyn and to stimulate commerce in the area.

- In March 2004, the bank agreed to participate in a new credit facility to an organization whose primary goals are the revitalization and stabilization of the downtown area of Jamaica, Queens. The new facility was in the amount of \$3.75 million. As of the date of this evaluation, the balance of the new loan was \$1.5 million.

Affordable Housing:

- In April 2001, and again in August 2003, IDBNY renewed a \$500,000 line of credit to a program that helps finance the construction of affordable owner-occupied housing units throughout the New York City area. The bank participates with other wholesale and foreign banks in a \$50 million revolving credit facility. The consortium of banks provides construction loans through this program for affordable home ownership projects in low- and moderate-income neighborhoods in New York City. The mostly two and three bedroom homes are built on land previously owned by the city.
- In June 2003, IDBNY renewed a \$500,000 line of credit to a city-wide, not-for-profit community revitalization organization working to increase investment in declining neighborhoods; encourage and support neighborhood self-reliance; and create, preserve, and promote affordable housing in New York City neighborhoods.
- In February 2002, the bank made a loan in the amount of \$1.6 million, the proceeds of which were used to buyout eight rent stabilized tenants and construct low-income housing on East 54th Street under New York City's Inclusionary Housing Program. The loan balance at the time of this evaluation was \$1.55 million.
- In November 2002, the bank made a loan in the amount of \$3 million, the purpose of which facilitated the conversion of an old hotel into a Tier 2 Homeless Shelter. The property is leased to the Salvation Army. At the time of this evaluation, the remaining balance was \$2 million.
- In August 2002, the bank extended financing to a holding company that is the parent to several small business finance companies. The original amount of the loan was \$5 million. This holding company provides funding to its subsidiary companies which in turn make Small Business Administration 7(a) loans.
- In June 2004, the bank approved a \$400,000 line of credit to a not for profit entity that provides capital and advice to nonprofit organizations and enterprises with a social mission. In 2002 and 2003, this organization made grants for the recovery of nonprofit organizations affected by the attacks on the World Trade Center. The organization also works in partnership with funders to make grants for capital projects, and endowments to meet other capitalization goals. Advisory services include small grants, help with growth planning, workshops and consultations.

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- The following community development loans were to Small Business Investment Companies (SBIC's). SBIC's are licensed by the Small Business Administration to provide equity capital and long-term loans to small businesses. The bank's SBIC borrowers have granted loans to many different types of businesses. The following is a list of lines of credit granted.

Date	Commitment Amount	Outstanding Balance
8/2003	\$6,000,000	\$4,890,000
5/2004	\$16,000,000	\$11,601,000
6/2004	\$5,000,000	\$777,269
Total	\$27,000,000	\$17,269,000

COMMUNITY DEVELOPMENT INVESTMENTS

This test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

IDBNY has a high level of community development qualified investments within its New York City assessment area. Since the previous FDIC evaluation, community development investments in the New York assessment area totaled approximately \$20.4 million and represented 0.6% of total state deposits (\$3.2 billion) as of June 30, 2004. The volume of qualified investments and donations increased approximately \$7.8 million from the prior evaluation.

Investments

- Since the prior evaluation, IDBNY invested \$2 million in a fund that makes equity investments in small to medium-sized businesses located in the mid-Atlantic region, including New York City, and the immediate surrounding counties of southern New York State. The fund is licensed by the Small Business Administration.
- The bank also committed \$2 million to a fund providing growth and acquisition equity to privately held companies. This fund is also licensed by the Small Business Administration.

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- The bank committed \$500,000 to the New York Emerging Neighborhood Fund. The fund was formed to acquire, invest, manage, improve, and dispose of a diversified portfolio of real estate in low- and moderate-income neighborhoods in New York City.
- The bank also invested in two CRA qualified investment funds. One, in the amount of \$3.5 million, invests at least 90% of its net assets in CRA qualifying securities. The other, in the amount of \$1 million, was invested in a CRA qualified Fannie Mae pool. The underlying properties are located in low-income census tracts, and 100% of the units are leased to Section 8 tenants. The third CRA qualified investment fund, in the amount of \$500,000, was invested through the New York State Housing Finance Agency and was used to fund the costs of acquiring, constructing, and equipping a multi-family rental housing development within the bank's assessment area. All of the units are leased to Section 8 tenants.
- The bank invested in CRA qualified mortgage backed securities secured by properties located in the New York assessment area totaling \$10.8 million during the evaluation period.
- Qualified investments made during this evaluation period also included a \$100,000 deposit in a local Community Development Financial Institution ("CDFI") located in the bank's assessment area, a \$10,000 term deposit at a CDFI owned by residents of various low-income communities in the bank's assessment area, and a \$15,000 term deposit at a CDFI located in upper Manhattan.

Grants

Since the previous FDIC evaluation, IDBNY has contributed \$103,785 to several local community development organizations that serve its assessment area. Such contributions included the following: \$11,500 to the American Organization for Rehabilitation Through Training, an organization that provides vocational and technical training to the underprivileged; \$5,150 to Big Brothers–Big Sisters of New York City, an organization involved in mentoring at risk children of low-income single parent families; \$10,000 to the Greater Jamaica Development Corporation, a not-for-profit organization formed to transform the older downtown area of Jamaica, Queens; and \$33,950 to Neighborhood Housing Services of New York City.

COMMUNITY DEVELOPMENT SERVICES

Community development services are evaluated based upon the extent to which services are offered and used; the innovativeness of the service; the degree to which the service assists low- or moderate-income areas or individuals; and their responsiveness to available opportunities for community development services.

IDBNY has provided a limited level of community development services. The services that have been provided focused on using bank management's financial expertise to promote financial

Wholesale and Limited Purpose Performance Evaluation

literacy. The following are the community development services provided during the evaluation period.

- For the last several years the bank has been involved in an internship program with La Guardia Community College's Division of Cooperative Education. The college is part of the City University of New York. This internship program gives low-income students an opportunity to earn money to finance their education, while gaining hands-on experience in the banking industry.
- A senior vice president of the bank is a member of the New York Emerging Neighborhood Fund, L.P.'s Advisory Committee. A Vice President of the bank is a member of the Neighborhood Housing Services City-Wide Loan Committee.

STATE OF CALIFORNIA

CRA RATING FOR California: Outstanding

The bank's California operation has an excellent record of supporting community development activities in its assessment area. IDBNY is active in two of the three areas of community development. Outstanding community development loans and investments totaled approximately \$16.8 million.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN *California*:

IDBNY operates one branch in California. The office is located in Beverly Hills, which is located in Los Angeles County. The bank commenced operations in California in September 2000. Total deposits at the California branch as of June 30, 2004 were \$88.7 million. Total loans were \$177.6 million. IDBNY's lending focus is commercial and industrial, and commercial real estate with an emphasis on "middle market" industries and businesses.

DESCRIPTION OF CALIFORNIA ASSESSMENT AREA:

IDBNY's assessment area is all of Los Angeles County. Los Angeles County solely comprises MD 31084. The county is composed of 2,054 census tracts. Of these census tracts, 8.7% were categorized as low-income, 28.2% as moderate-income, 28.0% as middle-income, 34.3% as upper-income, and 0.8% for which no income information was available. The HUD estimated 2004 median family income for MD 31084 was \$54,200.

The Los Angeles economy remains strong as job growth and unemployment rates remain steady. The import/export business with Asia has increased as the Los Angeles ports increased their share of the overall California market. Future prospects in this industry are strong as there is plenty of room for port expansion. The motion picture industry and production services remain the leading area industries. The travel and tourism markets have also experienced gains. The prospects for the computer services, aerospace, and telecommunications industries are positive due to increased defense spending.

The cost of housing and conducting business in the Los Angeles area remains among the highest in the nation. The median sales price of single-family homes continues to rise and, consequently, affordability has dramatically declined. Some price leveling is expected as interest rates rise, yet the market is expected to remain strong.

Recent community contacts expressed the continued need for more affordable housing. In addition, the contacts expressed a need for increased access to working capital for small, particularly newly established minority-owned, businesses. One contact stated that banks could

provide more support by providing technical assistance to small businesses and by serving on committees of local development organizations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *California*:

Inasmuch as the bank has only been operating in California for less than four years, IDBNY has an excellent record of promoting community development activities within this assessment area. Since the previous FDIC evaluation, community development lending commitments in the assessment area totaled \$12.8 million, representing 14.4% of total area deposits (\$88.7 million) and 7.2% of total area loans (\$177.6 million) as of June 30, 2004. Total community development investments made during the evaluation period totaled \$3.9 million or 4.4% of total area deposits as of June 30, 2004.

COMMUNITY DEVELOPMENT LENDING

IDBNY has a relatively high level, i.e., dollar volume, of community development loans within this assessment area. Community development lending commitments in the assessment area totaled \$12.8 million, representing 14.4% of total area deposits (\$88.7 million) and 7.2% of total area loans (\$177.6 million) as of June 30, 2004. The following summarizes the community development loans originated in the Los Angeles assessment area since the prior FDIC evaluation.

Three economic development loans were made in conjunction with the Community Redevelopment Agency of the City of Los Angeles. The Community Redevelopment Agency was established through a resolution of the Los Angeles City Council in 1948 pursuant to the Community Redevelopment Law of the State of California. That law states the basic need for, and purpose of redevelopment, i.e., “in many communities of blighted areas which constitute physical and economic liabilities, requiring redevelopment in the interests of health, safety, and general welfare of the people of these communities and of the state.” The law also defines the requirements to establish redevelopment areas. Redevelopment areas are established to maintain and increase the supply of housing for low- and moderate-income households, renovate or remove and replace deteriorated and dilapidated structures, foster job creation and establish a climate that will attract and sustain private investment.

- In February 2004, IDBNY committed to a new loan in the amount of \$2.1 million. The proceeds of the loan were used to acquire a two city-block parcel of land in the Toy district. The borrowers intend to develop the real estate into a mixed-use project. The project was the first of its kind in the Toy District, which is in a Community Redevelopment Agency revitalization zoning area.
- In December 2003, IDBNY committed to a loan in the amount of approximately \$3.2 million to facilitate the development of a 40,550 square foot retail/wholesale building in the above mentioned revitalization zone.

- In March 2004, IDBNY committed to a \$7.5 million mortgage loan to purchase and develop a 600,000 square foot building, of which 200,000 square foot will be commercial, and 400,000 square foot residential. The project is also located in the aforementioned revitalization zone.

COMMUNITY DEVELOPMENT INVESTMENTS

IDBNY has a high level, i.e., dollar volume, of qualified community development investments within its Los Angeles assessment area. Community development investments and grants made during the evaluation period totaled approximately \$3.9 million (4.4%) of total area deposits (\$88.7 million) as of June 30, 2004.

Investments

IDBNY's investments during the rating period totaled \$3,931,000. This amount was comprised of \$800,000 in CRA Qualified Investment Funds, and \$3,131,000 in mortgage-backed securities issued by Fannie Mae and Freddie Mac that were collateralized by residential mortgages extended to low- and moderate-income individuals residing in low- or moderate-income geographies. The properties securing the aforementioned mortgages are all located in Los Angeles County. The \$800,000 invested in the CRA Qualified Investments were as follows: \$400,000 for an urban renewal project, and \$400,000 to purchase Taxable Multifamily Housing Revenue Bonds offered by the California Statewide Communities Development Authority. The urban renewal project encompasses 132 acres in downtown Los Angeles with the funds being utilized to rehabilitate, improve, and preserve single family and multi-family housing for low- and moderate-income residents. The revenue bonds provided funding to finance the construction of a multi-family rental housing project located in a low-income census tract.

Grants

Since the previous FDIC evaluation, IDBNY has contributed approximately \$34,000 to various local community development organizations that serve its Los Angeles assessment area. The donations were in the form of cash, or furniture and office equipment that was donated to Operation Hope. Operation Hope is a non-profit organization created in 1992 to assist the underserved communities of Southern California in obtaining economic empowerment.

COMMUNITY DEVELOPMENT SERVICES

IDBNY has not participated in any community development services within the Los Angeles assessment area.

STATE OF FLORIDA

CRA RATING FOR Florida : Satisfactory

IDBNY has an adequate level of community development activities in its assessment area. Community development loans and investments totaled approximately \$8.3 million, representing 2.7% of total state deposits (\$305.8 million) and 4.8% of total state loans (\$172.1 million) as of June 30, 2004. IDBNY originated one large community development loan during the evaluation period while community development investment activity included investments in CRA qualified investments and qualified mortgage backed securities issued by Fannie Mae and Freddie Mac. The bank had limited community development services in this state during the evaluation period.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN *Florida*:

IDBNY operates three branches in Florida. The bank entered the Florida marketplace in December 2001 when it opened a branch in Miami. The bank subsequently opened two additional branches, another one in Miami in the Aventura section of the city, and one in West Palm Beach. The Florida branches reported total loans of \$172.1 million and total deposits of \$305.8 million as of June 30, 2004. The Aventura branch represents the biggest portion of the bank's Florida operation inasmuch as its deposits represent 68.7% of all deposits in the state, and 100% of the loans.

DESCRIPTION OF FLORIDA ASSESSMENT AREA:

IDBNY's assessment area includes Broward, Miami-Dade, and Palm Beach Counties. These counties represent MDs 22744, 33124, and 48424, respectively, and comprise all of Metropolitan Statistical Area 33100. The assessment area includes 891 census tracts. Of these 891 census tracts, 6.1% were categorized as low-income, 27.0% as moderate-income, 35.8% as middle-income, and 30.3% as upper-income, and 0.8% for which no income information was available. The 2004 HUD estimated median family income for MDs 22744, 33124, and 48424 were \$57,400, \$45,700, and \$61,100, respectively.

The economies of Palm Beach and Broward Counties have been expanding at a steady pace. Construction, business services, and healthcare have been driving the Broward County economy while financial, leisure, and hospitality services have rallied the West Palm Beach area. However, the Miami-Dade economy has been stagnant. The continued uncertainty in the airline industry has precluded new hiring and capital expansion. The industry is looking for growth in business travel, particularly routes to Latin America, to help increase activity.

Similarly, the demographic trends in Palm Beach and Broward Counties appear more positive than those of Miami-Dade County. West Palm Beach is home to a large, and growing, retiree population and boasts per capita income well above the national average. The population growth in Broward County remains above the state average with foreign immigration serving as the

primary driver. The housing markets in both counties remain strong. The rate of population growth in Miami-Dade County continues to fall and is currently less than one-half of the state's average. Several factors have contributed to this trend, including low housing affordability, high crime rates, and a sluggish labor market. The downward trend is expected to continue as immigration rules tighten, which will impact the flow of foreigners into the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *Florida*:

COMMUNITY DEVELOPMENT LENDING

When considering its relatively recent presence in Florida, IDBNY has an adequate record of providing community development loans within its assessment area. During the evaluation period, IDBNY originated one large economic development loan in the amount of \$5 million. The loan was made for the purchase of a business and property near the Miami Airport. The location of the property falls within an Empowerment Trust area, which is a federal initiative to create economic opportunity and rebuild poverty stricken areas throughout the United States by and through the use of "Tax Exempt" Bond financing, as well as, qualified Tax Incentives, Work Credits, etc. Similarly, the collateral property is located in an "Enterprise Zone" wherein Dade County offers businesses that relocate and expand therein certain financial incentives such as the following. Tax Credits and Exemptions for job creation and up to a five year 100% Local Property Tax Abatement is offered to companies that expand and create five or more jobs. Refunds of impact fees are offered for such items as police, fire, emergency services, water, and sewer. A 96% Enterprise Zone Property Tax Credit is offered against corporate income taxes up to \$50,000 on any ad valorem property taxes not abated by local government for a period of up to five years. A 15% Enterprise Zone Jobs Tax Credit is offered against corporate income tax or sales and use tax on wages paid to each new employee who is a resident of the Enterprise Zone. A 97% Sales Tax Refund up to \$10,000 is offered on the purchase of business property or building materials used by the company. A State Tax Credit of 50% of the value of donations by Florida incorporated companies is offered for making donations towards the development of low-income housing projects.

COMMUNITY DEVELOPMENT INVESTMENTS

Investments

IDBNY has participated in a satisfactory amount of community development investments within its assessment area. Community development investments in the assessment area totaled approximately \$3.3 million. The \$3.3 million of qualified investment was allocated in the following manner: \$600,000 was invested in the Housing Authority of Palm Beach County Taxable Multi-family Housing Revenue Bonds; \$500,000 was invested in the Housing Finance Authority of Miami-Dade County Taxable Multi-family Mortgage Revenue Bonds for a low-income housing tax credit project; \$100,000 was invested in the Housing Finance Authority of Broward County Taxable Multi-Family Housing Revenue Bonds, which financed a multi-family

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rental housing project located in North Lauderdale; and the remaining \$2,157,000 was used to purchase various mortgage backed securities issued by Fannie Mae and Freddie Mac.

The revenue bonds financed the construction of an affordable multi-family apartment complex located in Riviera Beach, Florida. The borrower was the Florida Housing Finance Corporation. The borrower received Low-Income Housing Tax Credits, which requires that 90% of the units be occupied by tenants whose gross income is at or below 60% of the area's median income. The Miami-Dade County bond helped finance the development of 340 units under a Land Use Restriction Agreement whereby 100% of the units must be occupied by low-income residents. The Broward County bond helped develop 292 apartments using Low-Income Housing Tax Credits whereby 100% of the units must be occupied by tenants whose gross income is at or below 60% of the area's median gross income. The Fannie Mae and Freddie Mac mortgage backed securities are collateralized by residential mortgages extended to low- and moderate-income individuals residing in low- or moderate-income census tracts within the bank's assessment area.

Grants

During the evaluation period, the bank donated \$2,500 to The Beacon Council, Miami-Dade's economic development partnership, which is charged with bringing new job generating investments to the community, and \$5,000 to the Community Partnership for the Homeless, a non-profit organization that operates three homeless assistance centers.

COMMUNITY DEVELOPMENT SERVICES

IDBNY's community development services in this area have been limited to the bank sponsoring in August 2002 a luncheon for a not-for-profit organization that promotes business and social programs in the Aventura area.

APPENDIX A

SCOPE OF EXAMINATION

The examination scope encompassed all community development activities in which the institution participated since the previous FDIC evaluation. All community development loans, investments, and services funded or supported by IDBNY from December 4, 2001 through August 30, 2004 were reviewed. Wholesale bank procedures were used.

SCOPE OF EXAMINATION		
TIME PERIOD REVIEWED	December 4, 2001 – August 30, 2004	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
Israel Discount Bank		Community Development Loans Community Development Investments Community Development Services

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
NEW YORK New York City	On – site	One	None
CALIFORNIA Los Angeles County	Off – site	None	None
Florida Broward, Miami-Dade, and Palm Beach County	Off – site	None	None

APPENDIX B

SUMMARY OF STATE AND MULTISTATE MSA RATINGS

State	State Rating
New York	Outstanding
California	Outstanding
Florida	Satisfactory